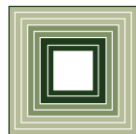


# Transportation Primer

Joint Appropriations Committee on Transportation

February 11, 2015

**Amna Cameron**  
**Fiscal Research Division**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Agenda

- Background
- Transportation Revenues
  - Items for Consideration
- Transportation Spending
  - Highway Fund
  - Highway Trust Fund
  - Items for Consideration
- Summary

# Background

North Carolina's State-Owned Highway System is:

- Large – 79,000 miles, second largest in the country
  - Texas is number one, by a few hundred miles
  - North Carolina secondary roads are state-owned
- Centralized – All dollars flow to Raleigh
  - Highway Fund transportation project decisions made by Board of Transportation (G.S. 143B-350) and Secretary (S.L. 2012-84)
  - Highway Trust Fund project decisions made through STI prioritization process

# Background: State Owned Roads

State	Road Miles Owned by State Agency	Total Road Miles	Percent Owned by State Agency
Florida	12,079	121,829	10%
Georgia	17,912	125,523	14%
<b>North Carolina</b>	<b>79,333</b>	<b>106,063</b>	<b>75%</b>
South Carolina	41,393	66,244	62%
Tennessee	13,885	95,523	15%
Texas	80,268	313,210	26%
Virginia	58,296	74,591	78%
<b>U.S. Total</b>	<b>780,122</b>	<b>4,092,730</b>	<b>19%</b>

Source: FHWA, Highway Statistics 2012

- Greater share than Florida, Georgia, or the nation as a whole.
- Local roads usually owned and controlled by local jurisdictions.

# Background: History

## 1915

- First full fledged State Highway Commission established
  - Provided road building assistance to counties

## 1921-1929

- NCGA authorizes takeover of 5,500 miles of county roads.
- Motor Fuel Tax raised to 5 cents per gallon (equivalent to 63 cents per gallon today)
- \$115 million in highway bonds issued
- North Carolina is the “Good Roads State”

# Background: History

## 1931

- During the Depression the state assumes responsibility for county roads, giving state responsibility for all roads except city streets.

## 1951

- Powell Bill
  - State takes over city streets which are part of the state highway system
  - Provided ½ cent per gallon from the motor fuel tax to cities for other city streets; allocated based on statutory formula.

# Background: History

## 1980's

- Transportation infrastructure and funding mechanisms prove inadequate for the state's growth.
- Highway Study Commission recommends a multibillion dollar highway construction program.

## 1989

### **Creation of Highway Trust Fund (HTF)**

- Goals are:
  - Completion of the Intrastate Highway System, a 3600 mile network of four-lane highways.
  - Construction of seven urban loops.
  - Pave 10,000 miles of state-maintained dirt roads.
  - Increase Powell Bill funding.

# Background: History

## 2002

- North Carolina Turnpike Authority created as an independent agency to examine the feasibility of tolling roads. The original projects were defined in Statute in 2005. Turnpike moved under DOT in 2009.

## 2007

- S.L. 2007-428 (SB 1513) Counties authorized to participate in the cost of rights-of-way, construction, reconstruction, improvement, or maintenance of roads on the State Highway System under agreement with the Department of Transportation.



# Background: History

**2013**

## **Strategic Transportation Investments Act**

- S.L. 2013-183 (HB 817) eliminated the Equity Formula put in place in original 1989 Highway Trust Fund law.
- Funds are distributed:
  - 40% Statewide (100% data driven)
  - 30% Regional – Distributed by population (70% data driven/30% local input)
  - 30% Division – Distributed equally across 14 Highway Divisions (50% data driven/50% local input)

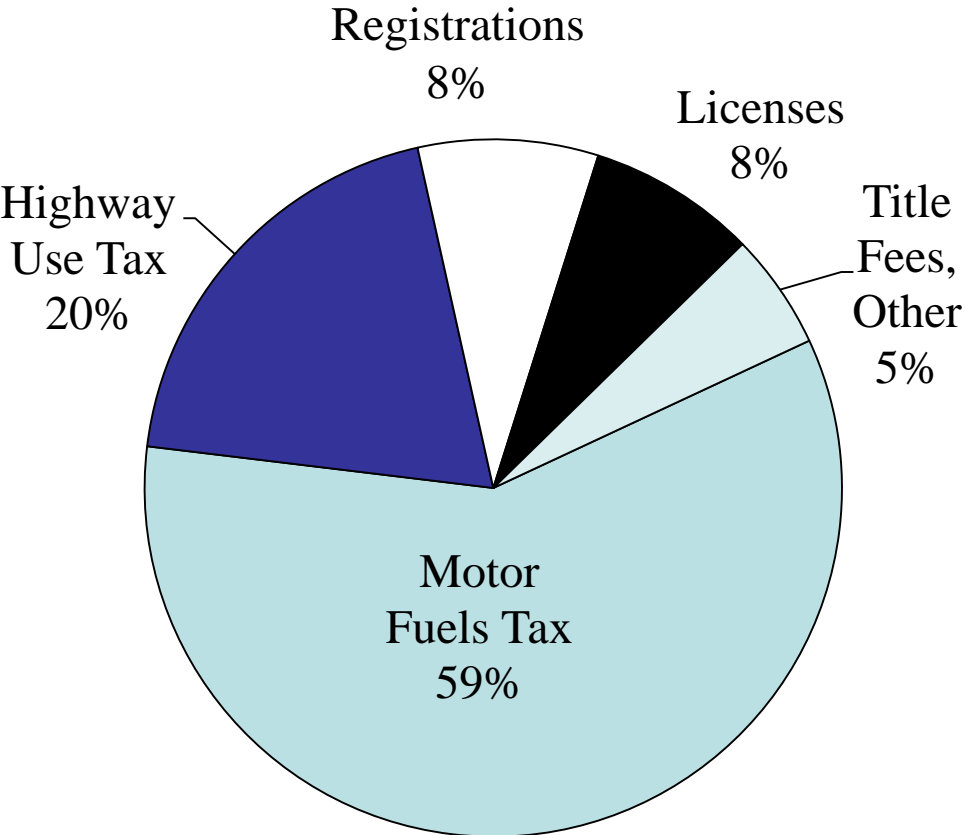
# FY 2013-15 Session Recap

- Strategic Transportation Investments Act
- Established a dedicated Bridge Program
- Established a Pavement Preservation Program
- Established a Highway Maintenance Improvement Program
- Established Statewide Prioritization of Unpaved State Maintained Roads (and limited funding to \$12 m)
- Privatization and outsourcing increased
- Key IT projects advanced

# Transportation Revenues

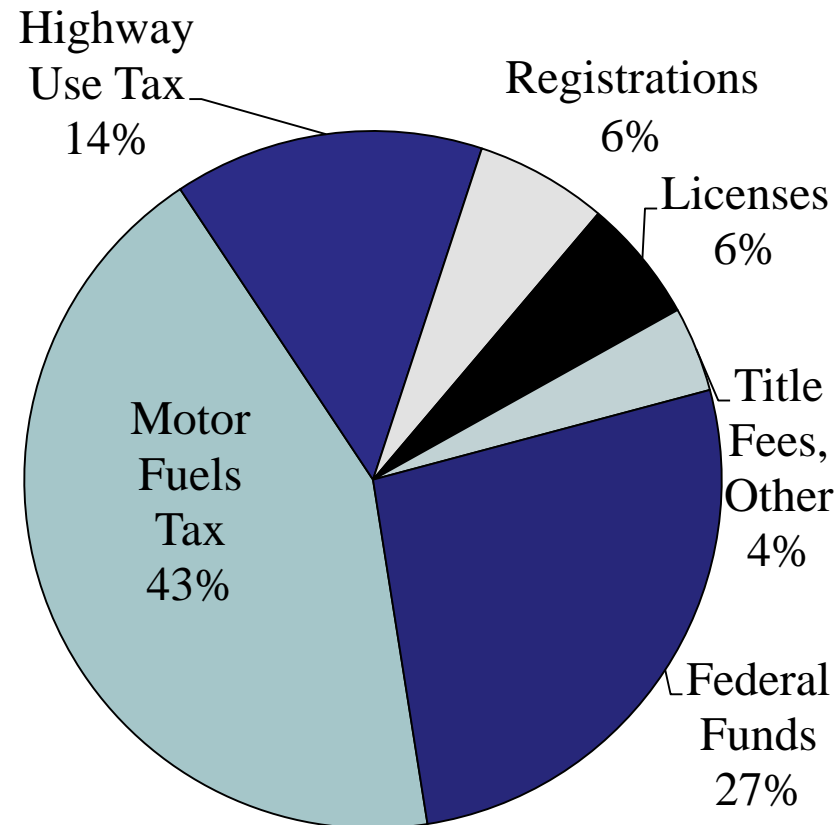
## FY 2015

### State Revenues



**\$3.2 billion**

### Total Revenues



**\$4.4 billion**

# Transportation Revenues: Current vs. Forecasted

- This is a volatile forecast and represents a February 2015 consensus between DOT, OSBM, and Fiscal Research.
- Forecast will be finalized in April 2015 and any necessary changes will be incorporated in the Final Budget.
- Assumes Motor Fuels Tax rate is not capped.

	Certified FY 2015	Forecasted FY 2016	Forecasted FY 2017
Highway Fund	\$1,984,142,286	\$1,774,200,000	\$1,817,100,000
Highway Trust Fund	\$1,162,393,140	\$1,149,900,000	\$1,181,200,000
Average Motor Fuels Tax Rate	37.0 cents per gallon	30.4 cents per gallon	31.3 cents per gallon

# FY2015 Flow of Funds (millions)

## Highway Fund \$1,984

Motor Fuels Tax \$1,391
Registrations \$408
Licenses \$99
Other \$86

\$1,730

Maintenance \$922
Bridge Preservation \$153
Construction \$47
Powell Bill \$146
Administration \$132
Intermodal \$169
DMV \$119
Capital Improvements \$20

### Transfers: \$254

General Fund (GF)	\$197
Driver Education	26
Sales Tax Refund	19
Other GF Agencies	12

Public Transportation	\$85
Rail	24
Ferry	38
Aviation	21
Bike/Pedestrian	1

## Highway Trust Fund \$1,162

Motor Fuels Tax \$465
Highway Use Tax \$596
Title Fees & Other \$101

\$1,162

Strategic Transportation Investments \$1,018
Debt Service: GO Bonds \$60 NCTA \$49
Admin./Other \$35

## Federal Aid \$1,169

FHWA \$998
Grants/ARRA \$171

Total STI = \$1,918

Strategic Transportation Investments \$884
STI – NCTA \$16
STI – Bike \$0
Rail \$122
Airports \$18
Transit \$31
GARVEE <sup>1</sup> \$86
GHSP <sup>2</sup> \$12

## Other \$66

Civil Penalties \$27
DMV Tag & Tax \$22
IRS Interest Rebate/Other \$12
Ferry Tolling \$5

OSBM - Civil Penalty & Forfeiture Fund \$27
DMV Tag & Tax \$22
NCTA Debt Service & Other \$12
Ferry System Capital Improvements \$5

<sup>1</sup> Includes federal aid and GARVEE proceeds for NCTA projects

<sup>2</sup> Governor's Highway Safety Program

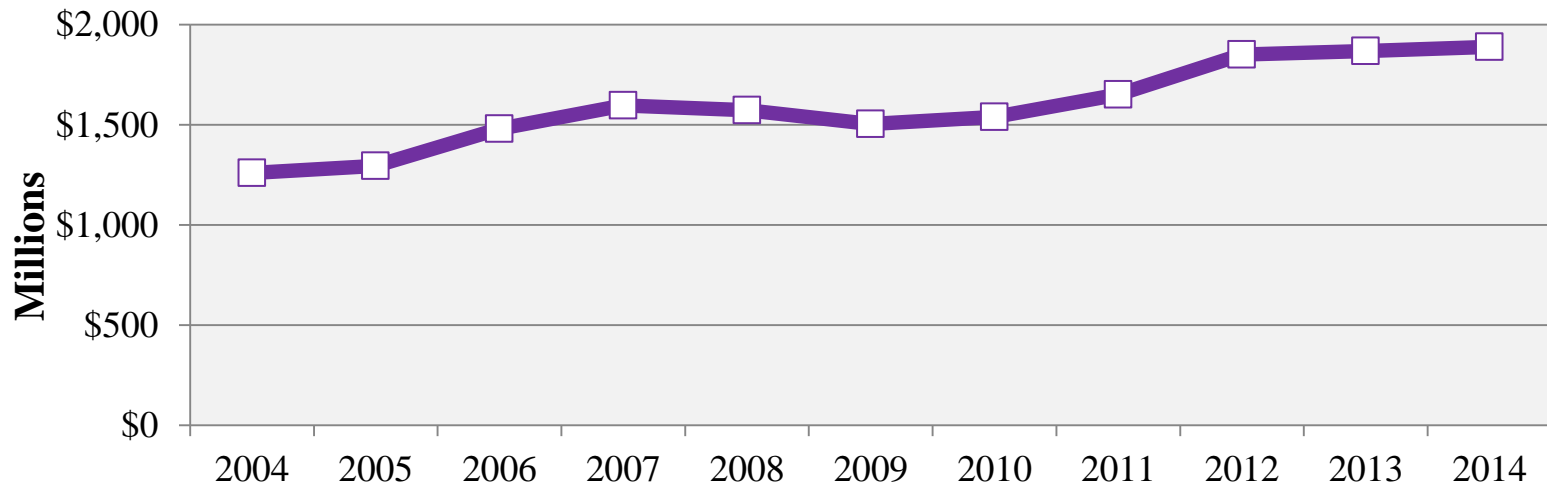
# Transportation Revenues:

## Motor Fuel Taxes

- Rate is 37.5 cents per gallon (cpg) through June 30, 2015.
- 17.5 cpg fixed + variable rate based on wholesale price history.
- One cent equals  $\approx$  \$50 million in tax revenues.
- Consumption will decrease! CAFE standards, greater fuel efficient vehicles

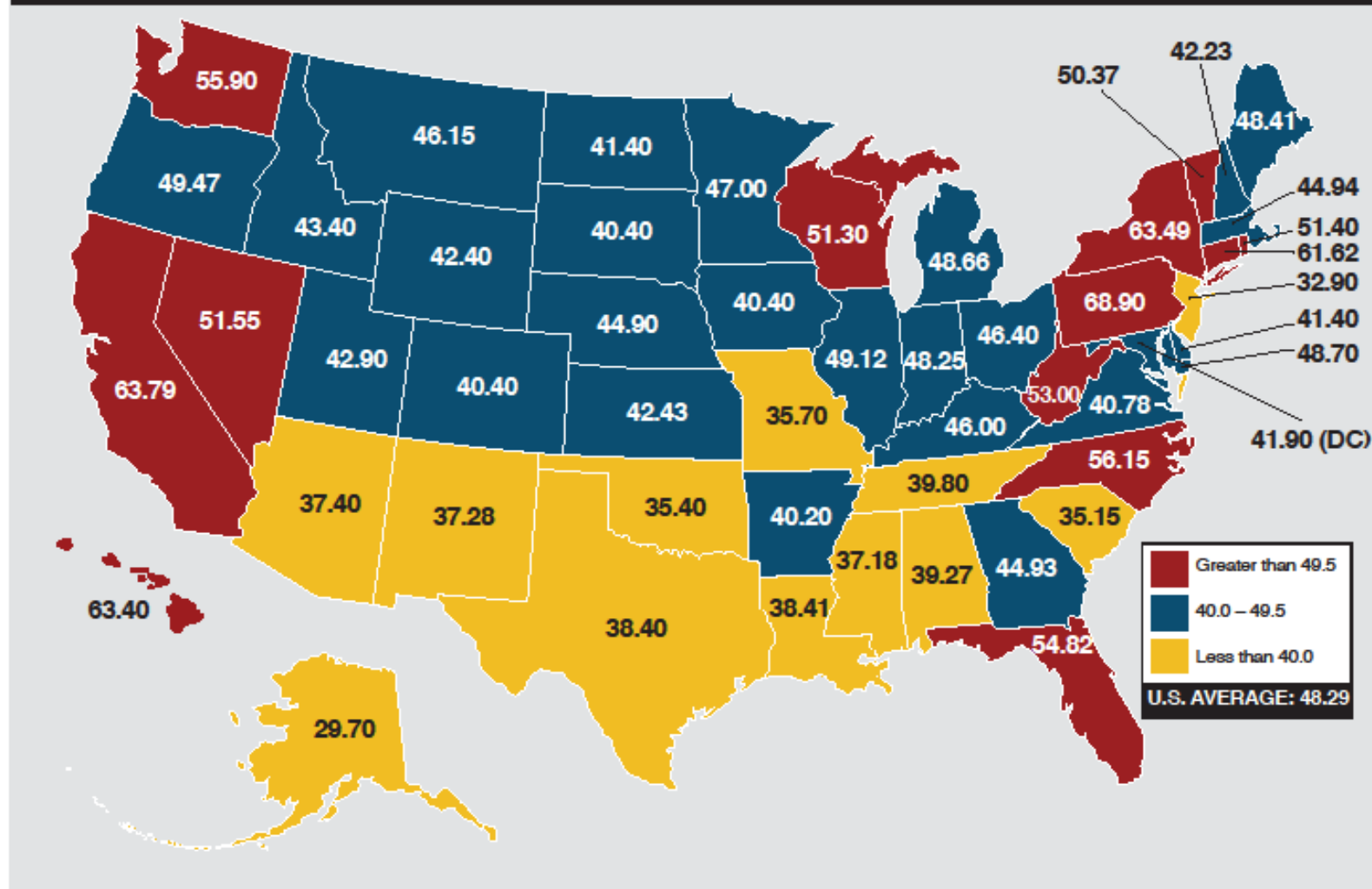


**Motor Fuel Tax Collections, FY 2004-2014**



# GASOLINE TAXES

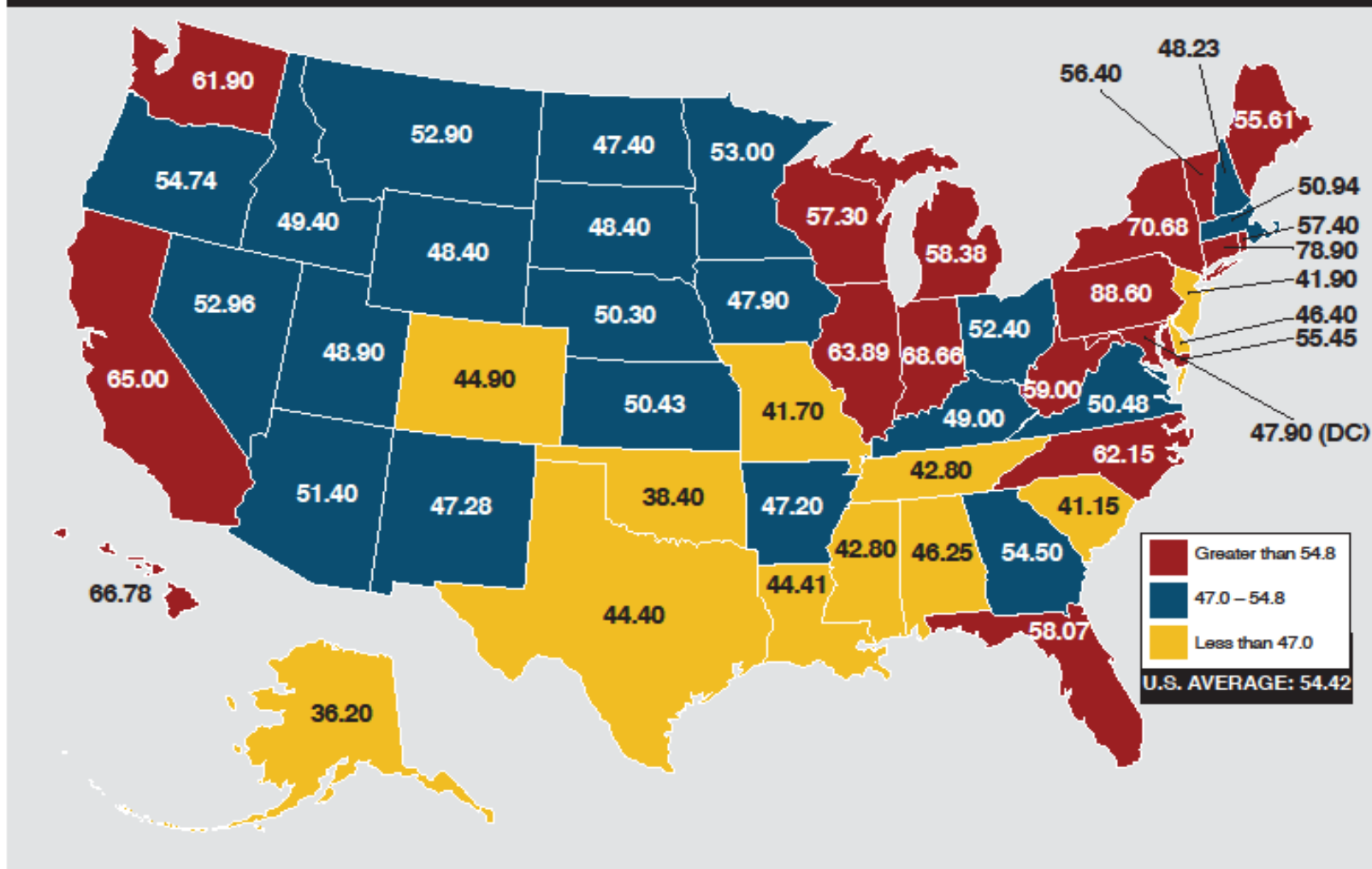
COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)  
RATES EFFECTIVE 1/01/2015- Revised 1/16/2015



Disclaimer: This report is posted for informational purposes only and should not be relied upon or used for compliance purposes.

# DIESEL TAXES

COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)  
RATES EFFECTIVE 1/01/2015- Revised 1/16/2015



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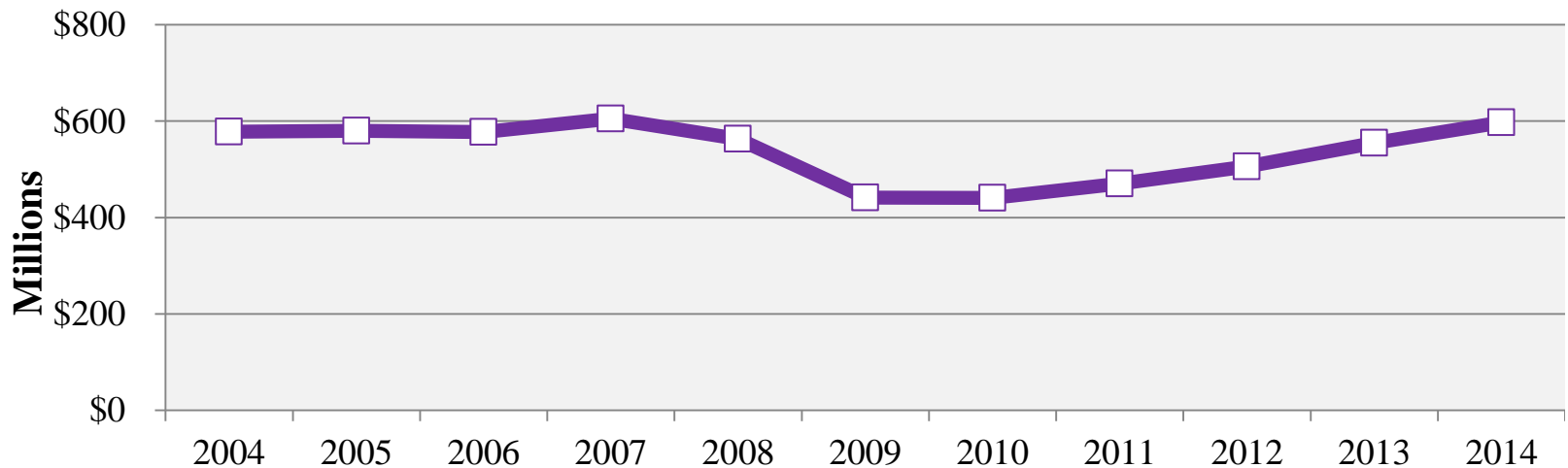


# Transportation Revenues:

## Highway Use Tax

- Highway Use Tax is 3% of vehicle value, net of trade.
- North Carolina tax is lower than Georgia, Virginia, and South Carolina.
- Economic recovery showing in car sales. Further increases expected.

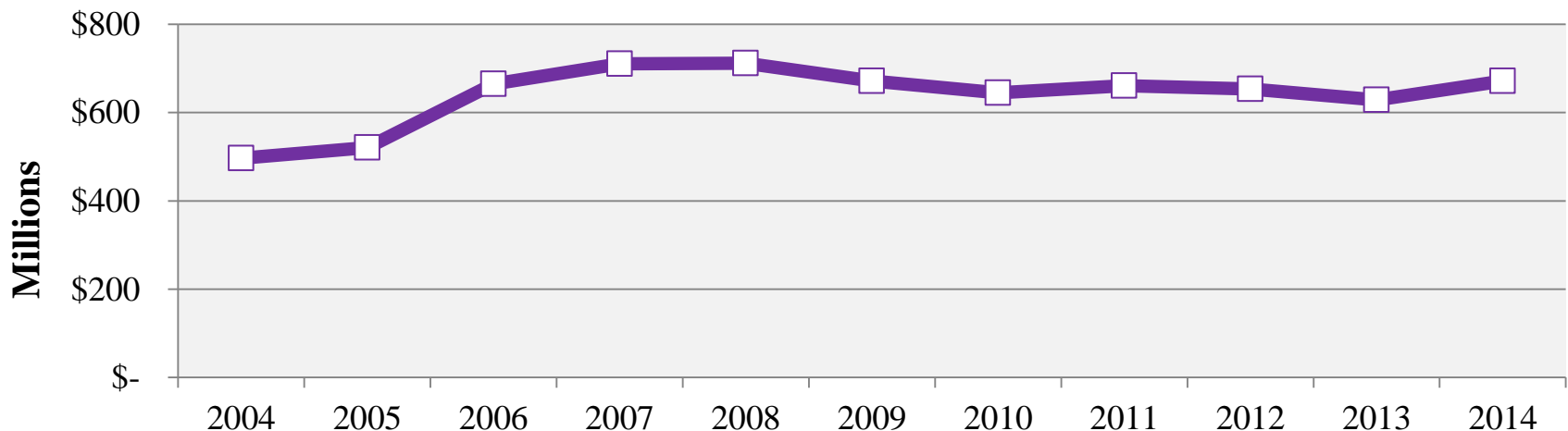
**Highway Use Tax Collections , FY 2004-2014**



# Transportation Revenues: Licenses and Fees

- Driver licenses, vehicle registration fees, truck licenses, titles...
- Generally driven by demographics.
- General Assembly increased these fees by about 20% in 2005 to account for inflation in the years since they had been set.

**Licenses and Fees Collections, FY2004-2014**



# Transportation Revenues: Federal Aid

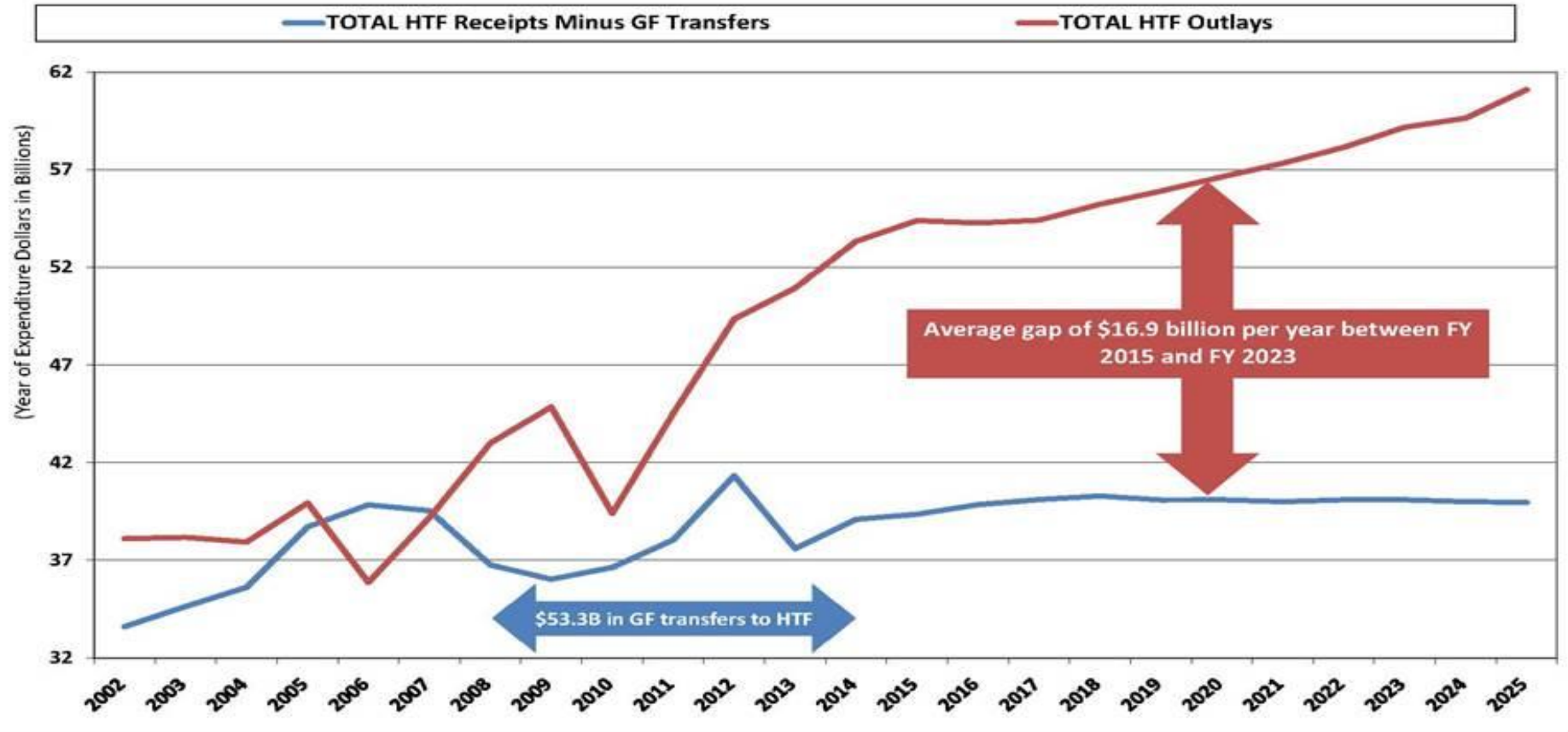
- In recent years federal aid has averaged about \$1 billion.
- MAP-21 originally in effect through October 1, 2014
  - 1<sup>st</sup> CR in effect through May 31, 2015
  - Similar funding level
  - Significant program consolidations
  - Additional tolling authority (if road capacity increased)
  - Increased TIFIA loan program
- Potential to lose federal Highway Trust Fund monies in the future. Federal Highway Trust Fund bailouts may not be sustainable.



# Transportation Revenues: Federal Aid



## Highway Trust Fund: Discrepancies in Cash Receipts and Outlays

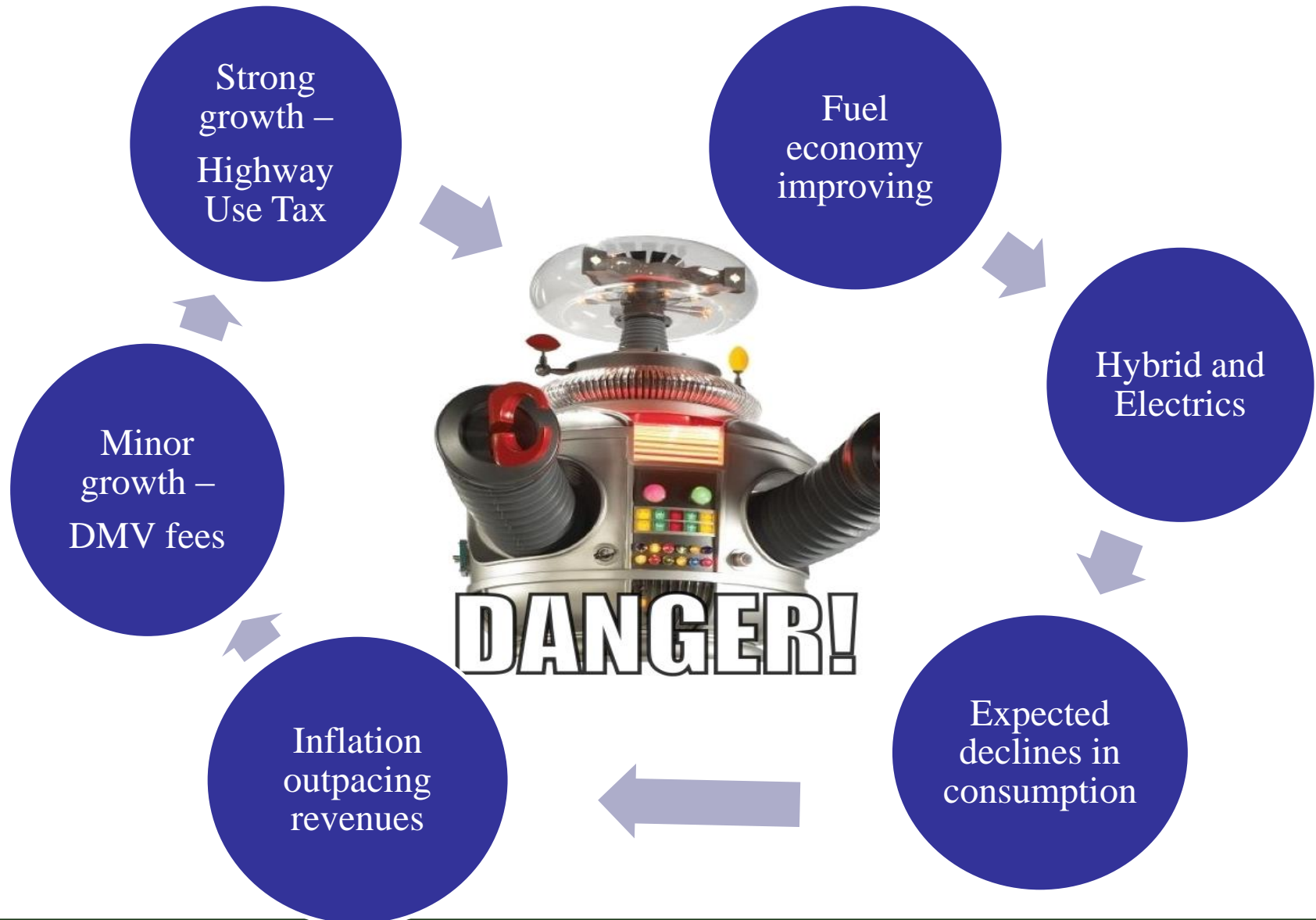


Source: AASHTO

# Transportation Revenues: Toll Projects

Name	Total Cost	Years Tolled	Annual Gap Funding	Issues
Triangle Expressway	\$1 billion	29	\$25 million (FY 2009)	Opened in Dec 2011= \$19.7 million in revenues in FY2014
Monroe Connector	\$725 million	30	\$24 million (FY 2011)	Debt issued. Lawsuit filed. Construction postponed. Record of Decision (ROD) pulled. ROD re-awarded in May 2014. Lawsuit filed. Interest Paid to Date = \$51.4 m
I-77	\$655 million (\$88 million State contribution + DRAM)	50		Cintra selected in April 2014. Financial close is possible in March 2015.

# Future of Transportation Revenues



# Danger, Danger ... WHY?

- Immediately: Price at the Pump
- Long Term: Revenue growth limited to Highway Trust Fund (HTF)
- Long Term: Motor fuel revenues erode Highway Fund's (HF) stability
- Price of Gas will increase but consumption and revenue will decline



Motor Fuel  
Revenues

70% Now; 65%  
in 2 years



Highway  
Use Tax

52% Now; 57% in  
2 years

# Cumulative Motor Fuel Loss in the Highway Fund

\$396 million loss  
through FY 2017



\$757 million loss  
through FY 2019



\$858 million loss  
through FY 2021



# Revenues to Spending

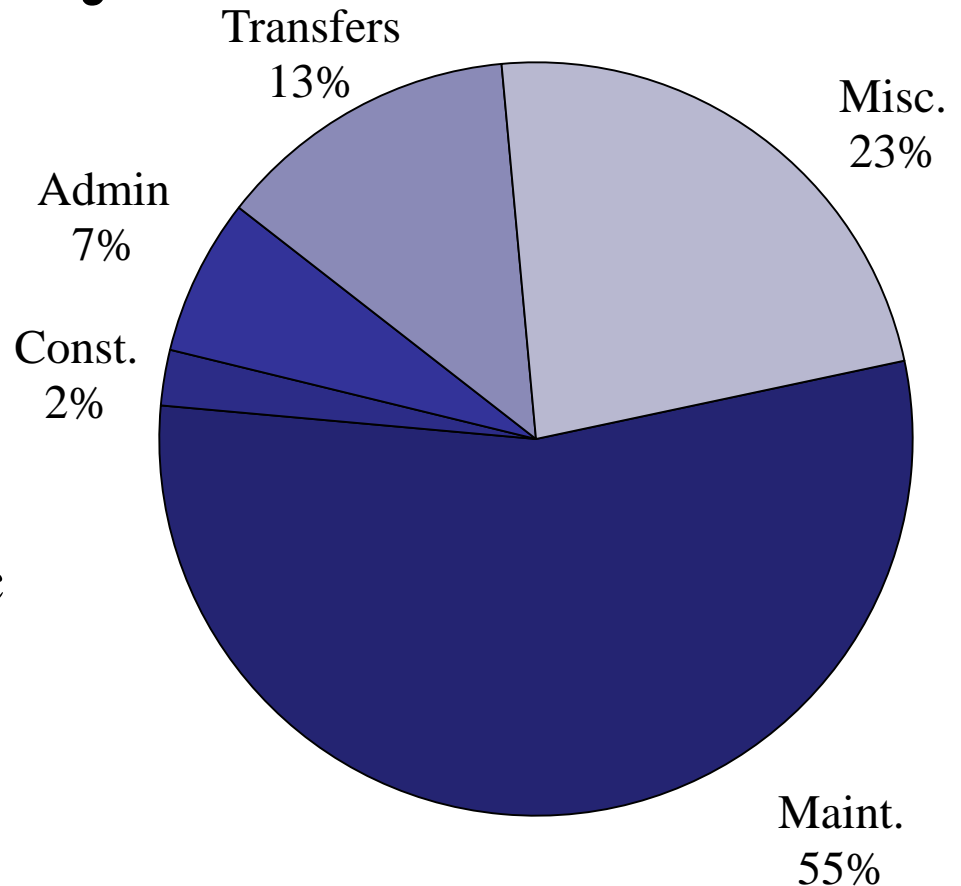


- NC is losing ground in maintaining its infrastructure.
- “BY 2040, THE STATE WILL REQUIRE **\$94.1 BILLION *TO SIMPLY MAINTAIN* TRANSPORTATION SYSTEM CONDITIONS AS THEY ARE TODAY**”
- Expected revenues: \$59.7 billion
- To create optimal conditions: Spend \$159.5 billion

Source: ITRE Report (on Committee Website)

# FY 2015 Transportation Spending: Highway Fund

- Maintenance and Operations
- Misc. includes intermodal operations, DMV, Aid to Municipalities
- Transfers made to General Fund, Departments of Agriculture, Revenue, Public Instruction, Public Safety, DENR, Agriculture, and DHHS



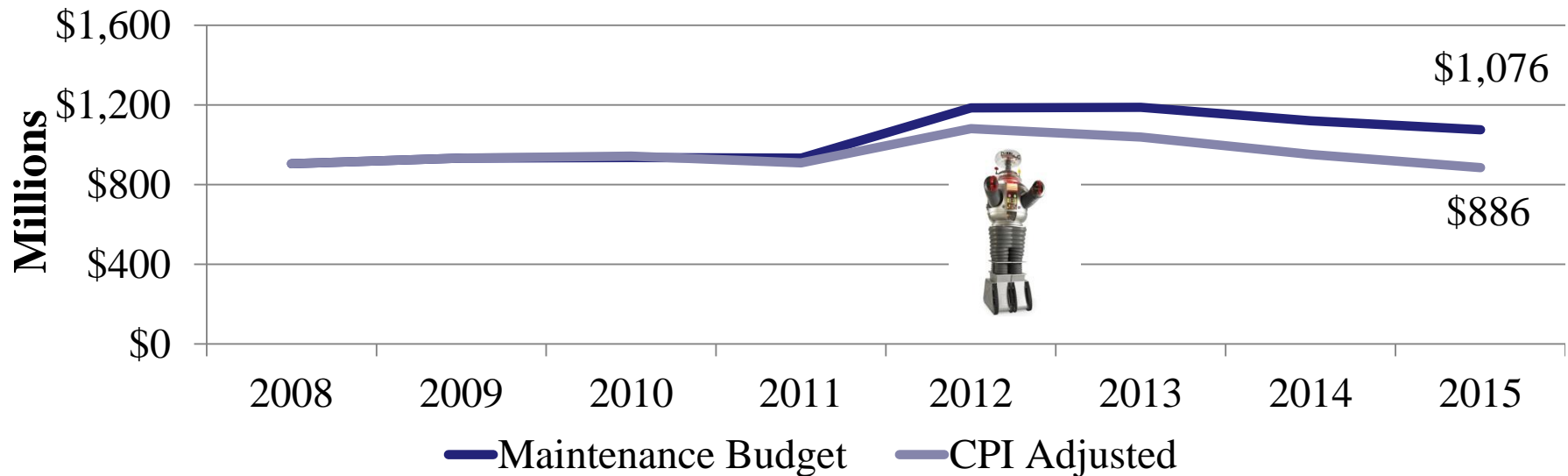
**\$1.9 billion**

# Transportation Spending: (Highway Fund) Maintenance

- ❖ Primary System (\$140m)
- ❖ Secondary System (\$262m)
- ❖ Contract Resurfacing (\$408m)

- ❖ Pavement Preservation (\$65m)
- ❖ Bridge Program (\$153m)
- ❖ General Reserve (\$140m)

**FY 2008-2015 Maintenance Budget w/ Inflation Adjustment**

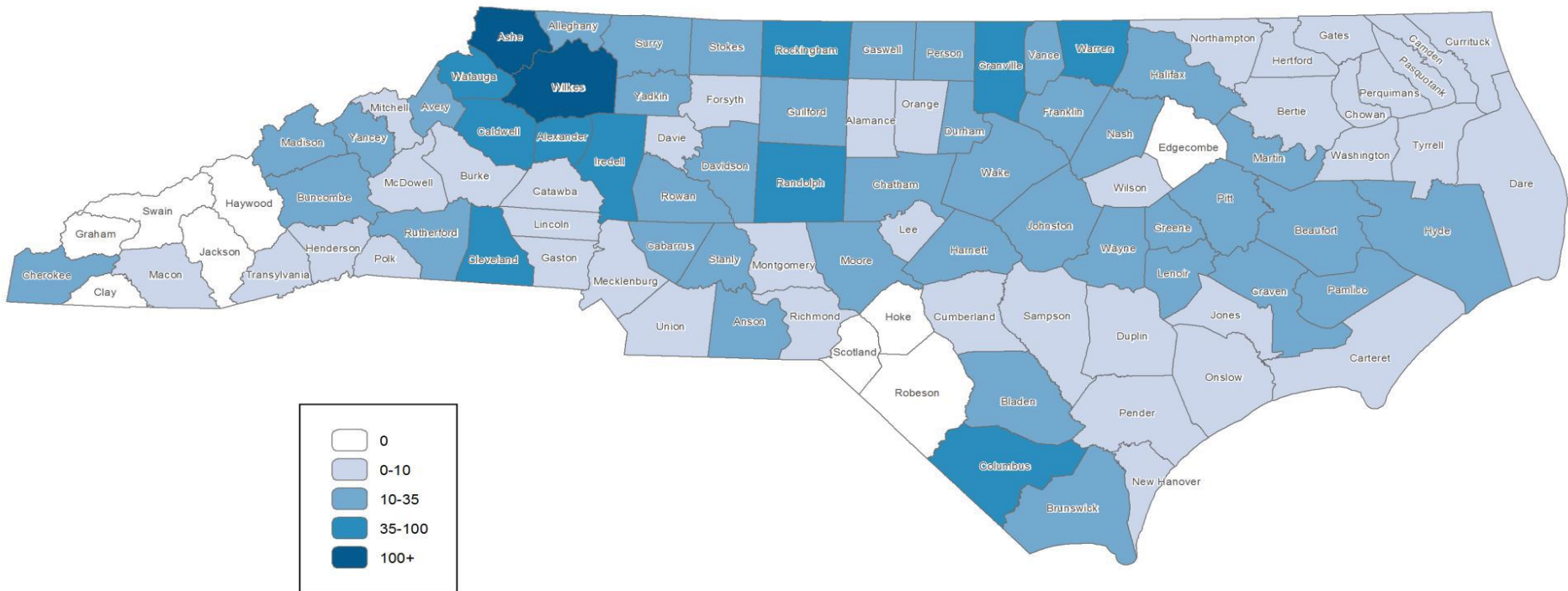


# Transportation Spending: Secondary Roads

- Two dedicated funds:
  - Highway Fund Maintenance (\$262m)
  - Highway Fund Construction (\$12m) dedicated to unpaved roads
- Additional funding from Highway Trust Fund Division Needs tier
- 64,522 total miles
- 95% of secondary system is paved
- 3,412 miles unpaved:
  - 1,410 eligible
  - 2,002 on hold
- 2 year change:
  - 277 fewer miles are unpaved

# Transportation Spending: Secondary Roads

## Remaining Mileage of Eligible Unpaved Roads

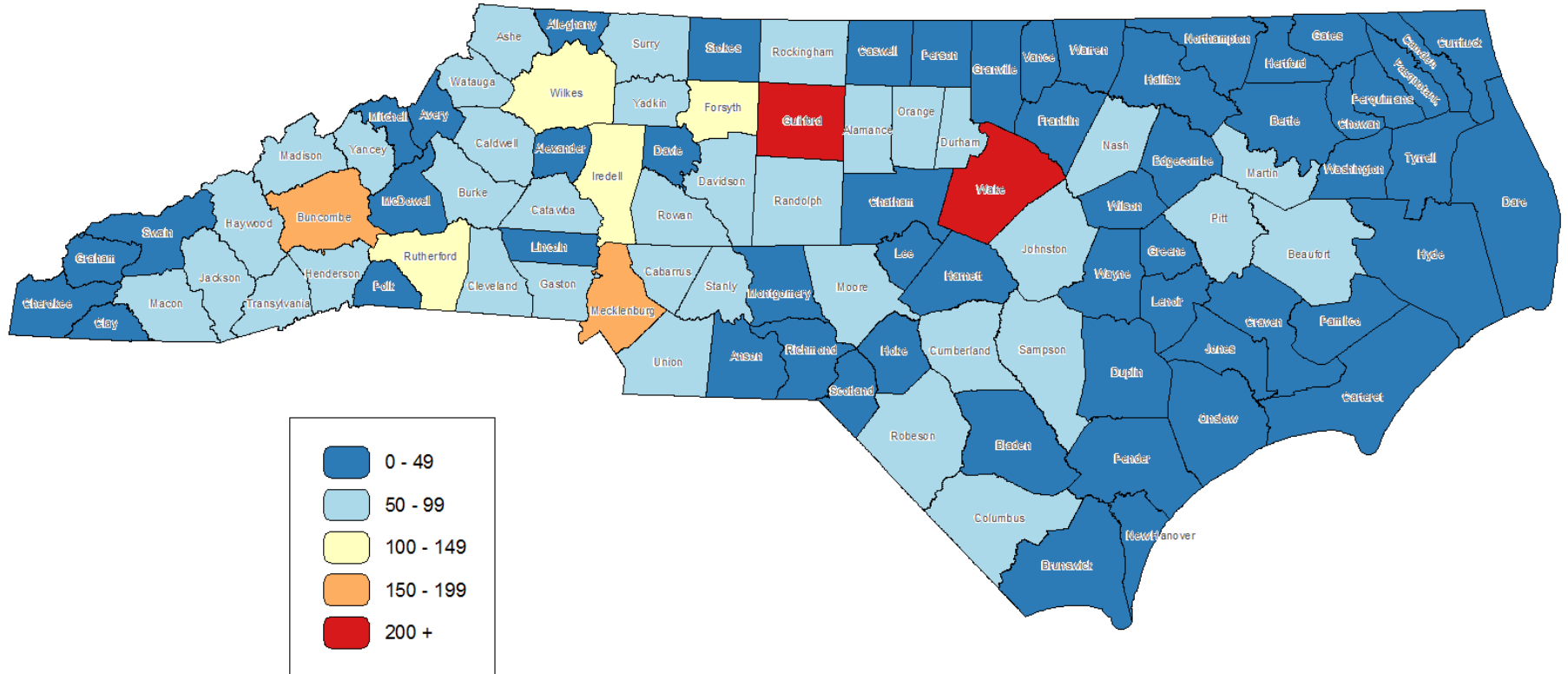


# Bridges

- NC has 12,493 bridges
- 2177 structurally deficient
  - 16.4% are SD (National average is 7.6%)
  - 78 counties have SD counts exceeding 10%
  - 250 SD added each year
  - \$4.3 billion to fix SD bridges
- 3,164 functionally obsolete (FO)
  - \$5 billion to fix FO bridges



# Deficient Bridges and Culverts (2013)



# SD Bridge Funding

Maintain Status Quo (16%) =  
\$40 million more

10% Goal  
in 15  
years:  
Add \$90m

10% Goal  
in 10  
years: Add  
\$115m

10% Goal  
in 7 years:  
Add  
\$165m



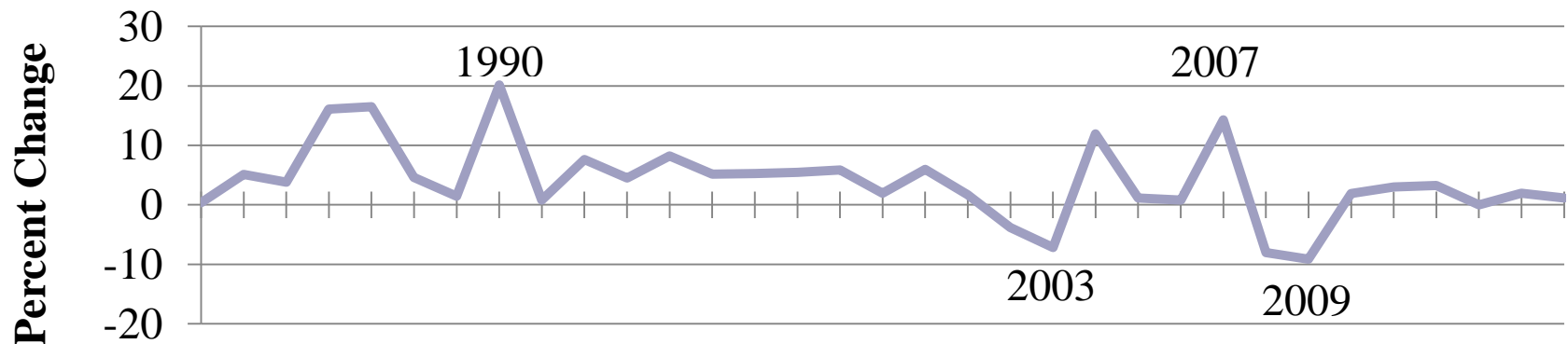
# Transportation Spending:

## Aid to Municipalities (Powell Bill)

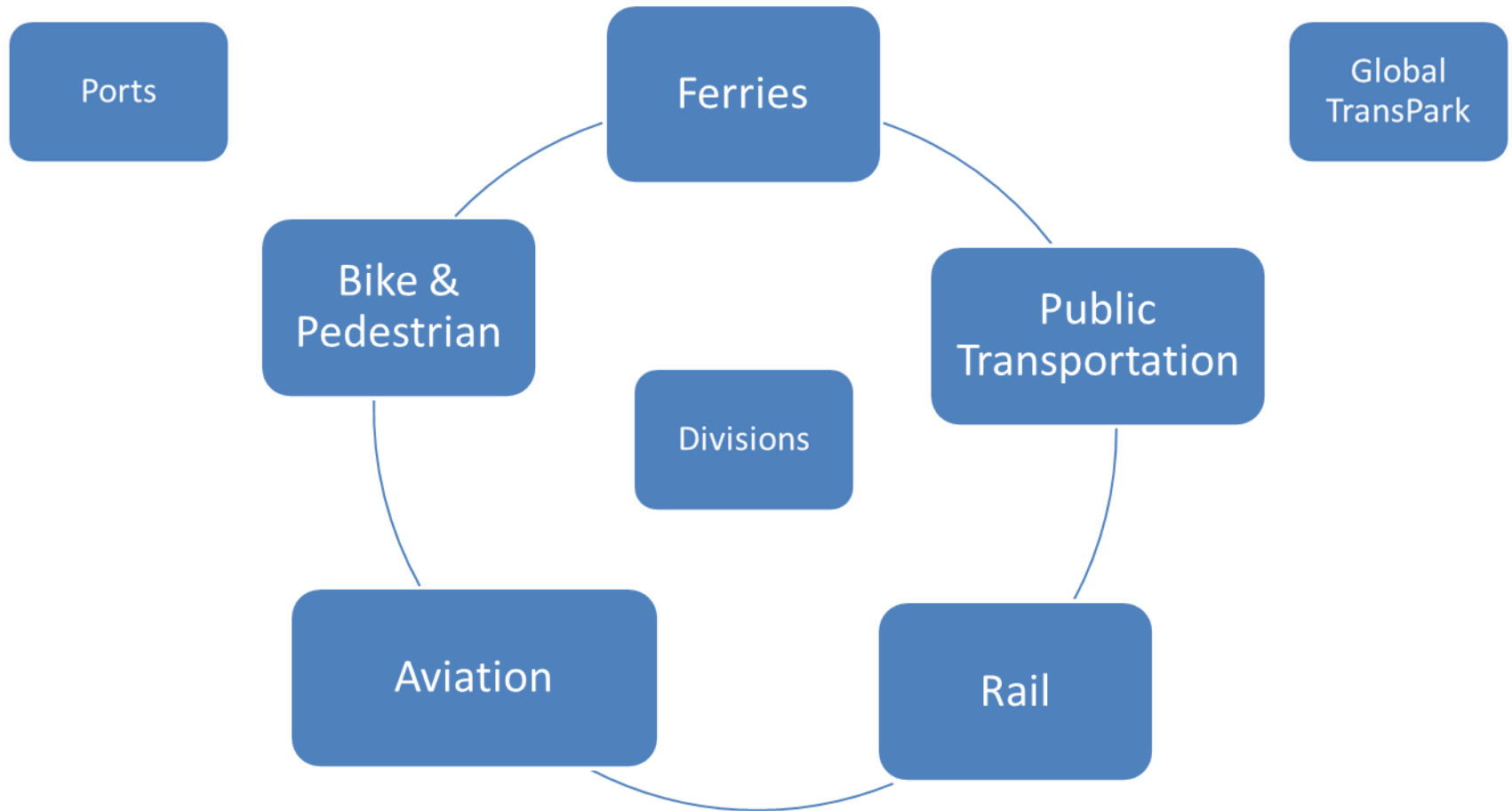
- 75% Population/25% miles
- 10.4% HF gas tax revenue
- If your area is losing population, it's funding is being reduced

% Change		
	1985-2012	1985-2014
Funding	203%	212%
Municipalites	9%	9%
Population	91%	96%
Mileage	67%	69%

**Total Amount Distributed: Annual % Change, 1983-2014**

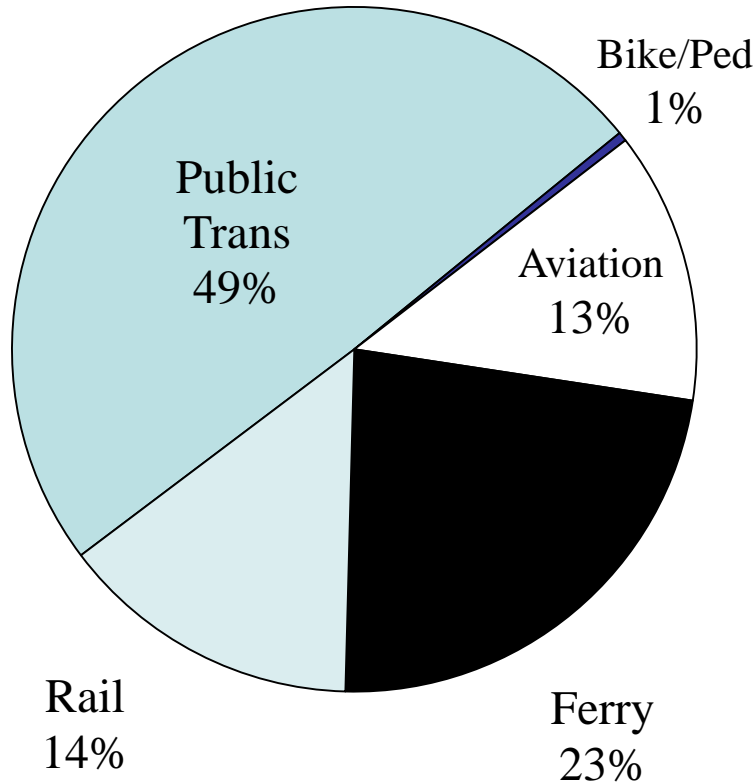


# Transportation Spending: (Highway Fund) Intermodal



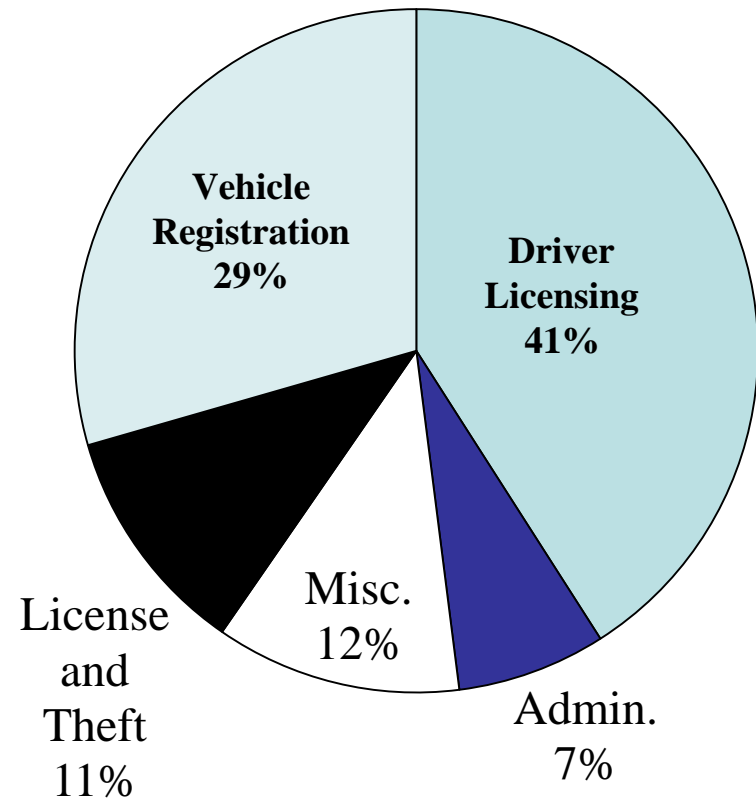
# Transportation Spending: (Highway Fund) Intermodal & DMV

**Intermodal: FY 2015**



**\$172.5 million**

**DMV: FY 2015**

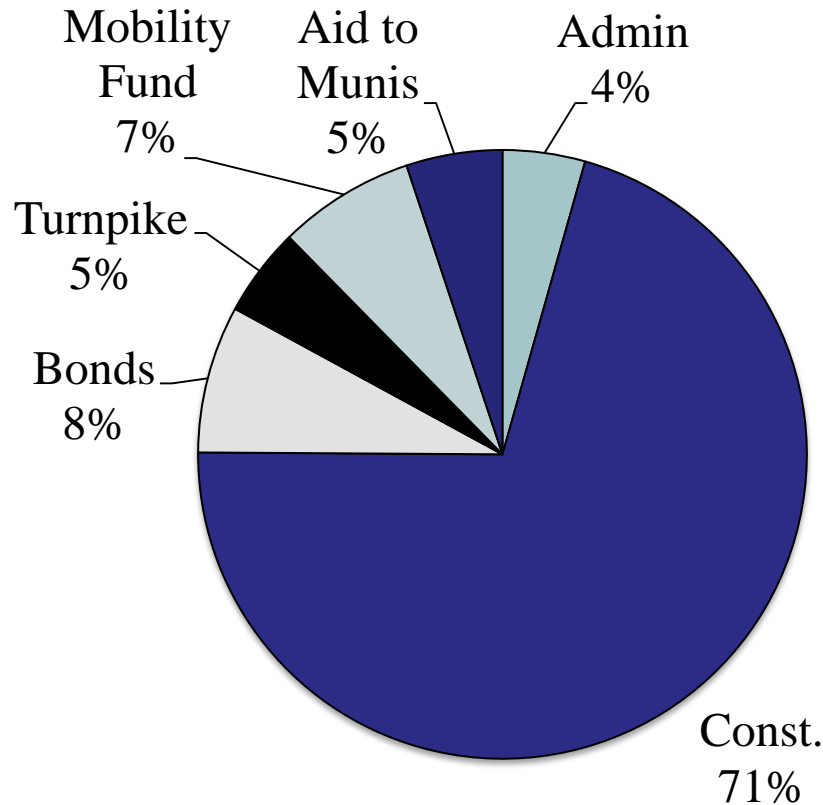


**\$119.7 million**

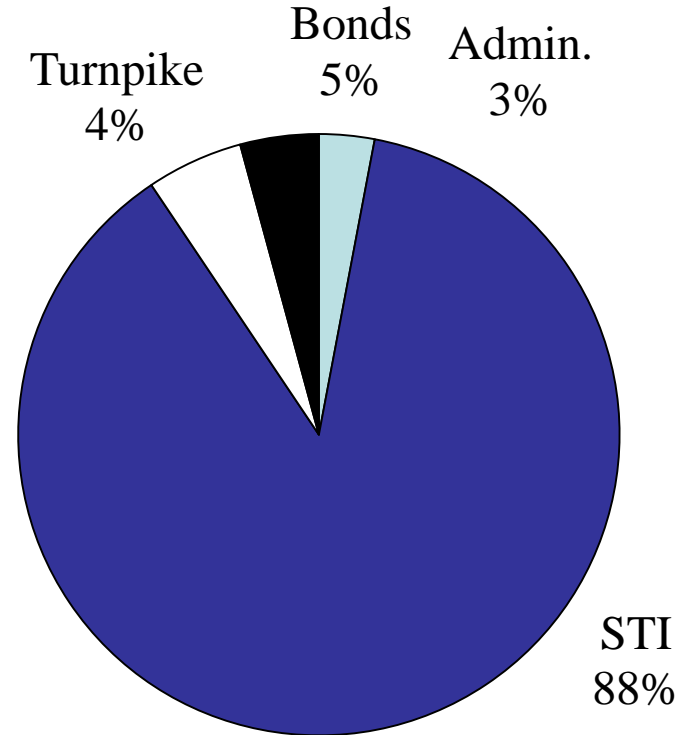
# Transportation Spending: Highway Trust Fund

- Strategic Transportation Investments (STI) replaces Equity Formula
- Aid to Municipalities, General Fund transfers, and Gap Funding for new Turnpike Projects have been eliminated
- In STI, each tier focuses on congestion and benefit/cost
- Draft 10-year STIP released in November
  - Estimates HTF and federal revenue will generate \$22.7 billion over FY 2016-2025; STIP has \$14.8 billion in projects
  - 1,100 projects (including 11 toll projects)
  - Final STIP due in May with federal approval by September

# Transportation Spending: Highway Trust Fund



**FY 2013: \$1.07 billion**



**FY 2015: \$1.16 billion**

# Transportation Spending: Considerations...

- What are your transportation funding priorities?
- How much revenue do you need to fund them?
- What options exist to raise revenues?
- Is spending flowing to the areas with the greatest needs?

# Summary

- North Carolina has a large, centralized highway system with state, not county, responsibility for secondary roads.
- The condition of the state's roads will deteriorate without additional funding for maintenance and preservation.
- Expected population growth will put additional demands on new construction.